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C O N F I D E N T I A L SECTION 01 OF 02 BELGRADE 000352

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E.O. 12958: DECL: AFTER FORMATION OF SERBIAN GOVT
TAGS: [PGOV](#) [PREL](#) [SR](#)
SUBJECT: DS, DSS Inch Toward Coalition Agreement

¶1. (c) SUMMARY: Talks between a de facto DSS/G-17 bloc on the one hand and DS on the other continued in earnest the week of March 12. DSS remains confident a deal will be struck before the end of March that will keep Kostunica as PM; some DS senior officials are now admitting as much privately as well. Talks have been complicated by G-17 president Dinkic's hard push to retain the Finance Ministry in the next government - a move DS complains is emboldening DSS and dragging out talks. Bottom line, a Kostunica-led government still looks likely before the May 15 deadline - beyond that, it's still an open question to whom many of the key ministries will fall. End summary.

¶2. (sbu) Talks between (primarily) DS and DSS continued March 13, on the heels of a contentious March 6 meeting that saw the DSS side raise the idea of formal power-sharing of the President and Prime Minister posts - the so-called "sixth principle" called for by DSS as a condition for forming the government. DS rejected the principle as a non-starter, noting it already held the presidency and the plurality of democrats in parliament - and hence the "right" to claim the mandate for establishing a government and taking the PM's seat. In protest of this, DS VP's say, they postponed talks planned for March 8 to March 13. At that meeting, they announced a new "zero principle," which mandated DSS cutting all ties to Radical and Socialist coalitions at the municipal level.

¶3. (c) Behind the headlines, though, both DS and DSS appear increasingly, if warily, confident that a government will be formed before the end of March, or at the very least before the May 15 deadline. DSS VP's remain certain that they will keep the PM job, but beyond that have been reluctant to reveal portfolio preferences. There appears to be a strong push by DSS to keep at least Interior, and particularly to keep sitting Minister Dragan Jovic in the job. DSS has also floated candidates for FONMIN (Vladeta Jankovic) and some other jobs, but the prevailing opinion among DSS senior leadership is that there will be plenty of ministerial posts to go around.

¶4. (c) At the same time, key DS leaders and Tadic advisors are hinting ever more strongly - and in some cases admitting outright - that a Kostunica-led government is the most likely outcome, and that it could happen as soon as the end of March. In a meeting with the Ambassador and DCM March 14, DS PM candidate Bozidar Djelic gave the impression that he doesn't really expect to come out of this process as the PM, and instead has his sights on DPM (Euro-integration) and/or Finance Minister. He told the Ambassador DS is intent on getting over 50 percent of the Cabinet seats, since government decisions are taken on the basis of simple majority (Note: However, under the new constitution, parliament must pass a new Law on Government, so that principle could change. End note.) He believes that the DS will get, inter alia, Finance, Justice, and BIA or MUP. DS will NOT, he said, allow DSS to have both MUP and BIA.

¶5. (c) Tadic advisor Vuk Jeremic told us much the same story, emphasizing that the "zero principle" and a hardline DS stance on passing a conciliatory resolution on Srebrenica in the parliament amount to what he called "Kostunica insurance" - an attempt to break DSS bonds with the Radicals and sour their relationship so that DSS would have no other option than to go with DS. Jeremic said Tadic

and DS realize they are facing a loss of up to 50 percent of their support in the polls if they keep Kostunica on as PM - he said their focus now is on making that loss temporary by securing a voting majority in the cabinet so they can move forward aggressively with pro-NATO and pro-ICTY cooperation policies in the hopes that successes there, coupled with a final verdict in the Djindjic assassination trial, will overcome the lag in the polls from retaining Kostunica. Jeremic also said DS was considering ceding to DSS many of the power ministries - including notably Interior - in exchange for "iron-clad" guarantees that the government would be able to continue with defense reform activities so that the military will be prepared to join NATO if and when Serbia applied for membership.

16. (c) Dinkic, meanwhile, seems hell-bent for the Finance job, despite (as Jeremic put it) Tadic's categorical refusal to put it on the table from the outset. Many in DS believe Dinkic was the driving force behind the "sixth principle," and that he tied his future to Kostunica through this gambit in a bid to retain Finance. While the "sixth principle" does not seem to have legs on its merits, Jeremic noted it had changed the negotiating dynamic - the DSS-G17 bloc now controls 64 seats to DS's 62, which Jeremic said has made DSS much more inflexible not only on the PM slot, but increasingly over Interior and other jobs. Djelic told the Ambassador that Dinkic might settle for the Economy Ministry (owing to its purview over privatization and bankruptcy), perhaps coupled with the DPM-ship for Regional Development.

17. (c) COMMENT: In the short term, the bottom line is a probable deal that keeps Kostunica at the helm of the government, with a continuing DS push to keep over half of all ministries to secure a majority vote in the cabinet, as soon as the end of March but not later than May 15. Aside from the continuing fight over Interior, and Dinkic's continued insistence on Finance, there doesn't seem to be much rancor in the negotiations. Given the DS penchant for being outmaneuvered, they may end up in a position of accepting more of the

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inconsequential ministries just to get over the 50 percent hump - and then face a fight in the redrafting of the Law on Government. Jeremic's comments smack of putting good spin on an increasingly weak negotiating position. But since officials in all the parties have all but declared themselves unprepared for, and unwilling to risk the threat of new elections, the likely winner in these coalition talks may be the LCD: the least common denominator.

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